

**Credit Collections.** All charge sales are due the 10<sup>th</sup> of the following month. One additional month is given before an account is declared delinquent and a notice forwarded. However, a watch notation is written on the ledger card of each past due account. This will not come into play in the practice set.

Upon receipt, the remittance is recorded in either the cash receipts journal or general journal, depending on which journals you are using. If you are using the cash receipts journal, posting from the cash receipts journal to the accounts receivable subsidiary ledger follows. *If you are using the general journal, post the transaction accordingly to the general ledger and accounts receivable subsidiary ledger.* The check is stored in the general file—incoming checks.

**Sales Tax Collections.** All sales (cash, bank credit card, or charge) are subject to a PA 6% sales tax. All sales tax collections are payable to the State Treasurer on the last day of the following month.

**Bank Deposits.** Currency, checks, and bank credit card tickets are deposited by you in the Uniontown Savings Bank at the end of each week. A 4% discount is taken on the bank credit card tickets and entered in either the cash receipts journal or general journal, depending on which journals you are using, at the same time the deposit is made in the bank. *If you are using the general journal, post the transaction accordingly to the general ledger accounts.*

**Payroll.** All employees are paid on the 15<sup>th</sup> and the last day of each month for the previous working period. For example, payroll processed on September 15 is for time worked during the period of August 16 through August 31. In essence, payroll is behind by one period. Time records are kept, and the actual payroll (gross earnings, deductions, net earnings) is prepared by you. Once the payroll register is complete, a check is written from the Cash account to the Payroll Cash account for the amount of the total net pay. This transaction is recorded in either the cash payments journal or general journal, depending on which journals you are using. The payroll is then recorded in the general journal for both

special journal and general journal users. Separate checks would then be issued from the payroll account beginning with check number 101 for the first payroll. You are not required to write checks from the payroll account. The employer's payroll taxes are next recorded in the general journal, regardless of journals being used. Notes: Hourly overtime rates are rounded to the nearest whole cent before calculating overtime pay. The owner is not an employee.

**Employee Earnings Records.** OPTIONAL. If required by your instructor, posting to the individual employee earnings records should take place immediately following the recording of the payroll. Consult the payroll register for information needed to complete the earnings records.

Disregard any information not provided such as SSNs, hire dates, birthdays, etc.

## INSTRUCTIONS FOR OPENING THE BOOKS

Since you, and not Mrs. Markovich, are now responsible for the accounting records of Keystone Furniture, it will be necessary to open a new set of books.

For the purpose of this practice set, the cash payments journal, cash receipts journal, purchases journal, sales journal, general journal, and petty cash payments record are bound together in one journals-record book. *General journal users will simply disregard the special journal pages.* Similarly, the accounts receivable ledger and accounts payable ledger are bound together in one subsidiary ledgers book.

**Journals.** Retrieve the journals-record book. Number the pages of each journal consecutively beginning with "1." Place the year (current year) at the head of the Date column. *If you are solely using general journals for this practice set, begin by numbering your first general journal page with 1 and continue consecutively numbering each page thereafter. Continue recording transactions on each journal page moving to the next page when necessary. Do not split a journal entry between pages. Record the entire entry on*